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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-114871

AUGUST 12, 1983

The Honorable George M. White
Architect of the Capitol

Dear Mr. White:

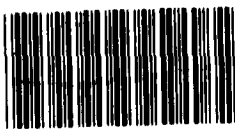
Subject: Examination of the United States Senate Restaurants Revolving Fund's Financial Statements for the Fiscal Years Ended September 25, 1982, and September 26, 1981 (GAO/AFMD-83-80)

This report summarizes the results of our examination of the United States Senate Restaurants Revolving Fund's financial statements for the fiscal years ended September 25, 1982, and September 26, 1981. We made our examination pursuant to section 5 of the act of July 6, 1961 (40 U.S.C. 174j-5).

We have examined the statement of assets, liabilities, and equity of the United States Senate Restaurants Revolving Fund as of September 25, 1982, and September 26, 1981, and the related statements of operations and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the United States Senate Restaurants Revolving Fund as of September 25, 1982, and September 26, 1981, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles and the financial accounting policies described in note 1 to the financial statements applied on a consistent basis.

Enclosures I and II contain our report on internal accounting controls and compliance with laws and regulations, and our comments



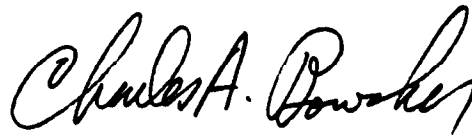
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on the United States Senate Restaurants Revolving Fund's operations. Enclosures III through VI and appendix A present the Fund's financial statements and accompanying notes for fiscal 1982 and 1981.

Sincerely yours,

A handwritten signature in black ink, reading "Charles A. Bowsher". The signature is written in a cursive style with a large, prominent "C" and "B".

Comptroller General
of the United States

Enclosures

REPORT ON INTERNAL ACCOUNTING CONTROLS
AND COMPLIANCE WITH LAWS AND REGULATIONS

We have examined the financial statements of the United States Senate Restaurants Revolving Fund for the years ended September 25, 1982, and September 26, 1981. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, including tests of compliance with laws and regulations, as we considered necessary in the circumstances. This report pertains only to our study and evaluation of the system of internal accounting control, and our review of compliance with laws and regulations for the year ended September 25, 1982.

The Restaurants Revolving Fund is administered by the Senate Restaurants under the jurisdiction of the Architect of the Capitol. As part of our examination, we made a study and evaluation of the Architect of the Capitol's system of internal accounting control for the Senate Restaurants Revolving Fund to the extent we considered necessary to evaluate the system as required by generally accepted government auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Senate Restaurants Revolving Fund's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified below.

For the purpose of this report, we have classified the significant internal accounting controls in the following categories:

- Receipts
- Disbursements
- Receivables
- Inventories
- Payables

Our study included all of the control categories listed above.

The management of the Senate Restaurants Revolving Fund is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to

permit the preparation of financial statements in accordance with generally accepted accounting principles and with the financial accounting policies described in note 1 to the financial statements.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the second paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Senate Restaurants Revolving Fund taken as a whole or on any of the categories of controls identified in the third paragraph. However, our study and evaluation disclosed no condition that we believed to be a material weakness.

We reviewed the provisions of applicable laws and regulations to determine the material compliance requirements that may have a financial impact on the Senate Restaurants Revolving Fund's financial statements. In our opinion, the Senate Restaurants Revolving Fund complied with the provisions of applicable laws and regulations that could have materially affected the financial statements.

COMMENTS ON THE OPERATIONS OF THE
UNITED STATES SENATE RESTAURANTS
REVOLVING FUND

The Senate restaurants are operated primarily for Senators and employees of the Senate. The Architect of the Capitol, under the direction of the Senate Committee on Rules and Administration, is responsible for managing the restaurants.

Receipts from sales, commissions, and transfers from the appropriations for the contingent expenses of the Senate are used to finance the activities of the Senate Restaurants Revolving Fund. For the period ended September 25, 1982, sales receipts and commissions amounted to \$5,186,858. No funds were transferred from the appropriation for contingent expenses of the Senate during the year.

Overall, the Senate Restaurants Revolving Fund's operating losses decreased from an average of \$3,800 a month in the preceding period to \$545 a month in the period ended September 25, 1982. This resulted in a net operating loss of \$6,537 for the period ended September 25, 1982, compared with a net operating loss of \$45,596 for the preceding period. The decreased loss of \$39,059 can be attributed primarily to (1) a change from a loss of \$19,596 in fiscal 1981 to a profit of \$29,398 in fiscal 1982 cafeteria food operations and (2) an increase in income for 1982 of \$6,893 from snack bar operations. This net improvement of \$55,887 in cafeteria and snack bar operations was offset by a \$25,613 decrease in 1982 from carryout stand income.

A comparison of sales, commissions, and operating results for each of the restaurants' activities for 1982 and 1981 is presented as note 5 to the financial statements. Also, a statement of operations prepared by the Senate restaurants accounting staff for each of the restaurants' activities for fiscal 1982 is included as appendix A.

Funds appropriated to the Architect of the Capitol for Senate office buildings may be used to purchase restaurant equipment. The equipment is not recorded as assets of the Senate Restaurants Revolving Fund. Additional information on other restaurant costs paid from appropriated funds is contained in note 1 to the financial statements.

UNITED STATES SENATE RESTAURANTS REVOLVING FUND
COMPARATIVE STATEMENT OF ASSETS, LIABILITIES, AND EQUITY
SEPTEMBER 25, 1982, AND SEPTEMBER 26, 1981

ASSETS	<u>September 25, 1982</u>	<u>September 26, 1981</u>
CASH:		
Funds with U.S. Treasury (note 1)	\$ 297,585	\$ 357,394
Petty cash and change funds	<u>13,000</u>	<u>13,000</u>
	\$ 310,585	\$ 370,394
ACCOUNTS RECEIVABLE (note 2)	167,418	147,959
INVENTORIES:		
Food, beverages, merchandise, and supplies, at cost	153,820	144,164
China, glassware, silverware, and tableware, at cost	<u>125,684</u>	<u>111,009</u>
	279,504	255,173
Total assets	<u>\$ 757,507</u>	<u>\$ 773,526</u>
 LIABILITIES AND EQUITY		
LIABILITIES:		
Amounts due vendors	\$ 157,562	\$ 187,135
Net payroll and benefits	82,471	80,476
Federal and State taxes withheld	29,293	27,897
Employees' accrued leave	148,073	126,302
Unclaimed wages	1,011	1,011
Employees' physicals	245	880
Supplemental service charge	7,231	12,042
Charity contributions with- held	<u>376</u>	<u>-</u>
Total liabilities	<u>\$ 426,262</u>	<u>\$ 435,743</u>
EQUITY:		
Contributed capital	51,200	51,200
Capitalization of china, glass- ware, silverware, and table- ware inventory (note 3)	45,944	45,944
Operating funds:		
Balance at beginning of year (note a)	240,638	286,235
Net profit or (loss) (encl. IV)	<u>(6,537)</u>	<u>(45,596)</u>
	234,101	240,639
Total equity	<u>331,245</u>	<u>337,783</u>
Total liabilities and equity	<u>\$ 757,507</u>	<u>\$ 773,526</u>

a/ Opening balance for 1982 period adjusted to compensate for rounding in prior years.

The accompanying notes are an integral part of this statement.

UNITED STATES SENATE RESTAURANTS REVOLVING FUNDCOMPARATIVE STATEMENT OF OPERATIONSFISCAL YEARS ENDED SEPTEMBER 25, 1982, AND SEPTEMBER 26, 1981

	<u>September 25, 1982</u>		<u>September 26, 1981</u>	
	<u>Amount</u>	<u>Percent of sales</u>	<u>Amount</u>	<u>Percent of sales</u>
SALE OF FOOD AND BEVERAGES:				
Regular	\$3,081,271	69.9	\$2,963,879	73.0
Catering	<u>1,329,386</u>	<u>30.1</u>	<u>1,096,518</u>	<u>27.0</u>
Total	4,410,657	100.0	4,060,397	100.0
Cost of food and beverages sold	<u>1,739,713</u>	<u>39.4</u>	<u>1,715,523</u>	<u>42.3</u>
GROSS PROFIT	<u>2,670,944</u>	<u>60.6</u>	<u>2,344,874</u>	<u>57.7</u>
OPERATING EXPENSES:				
Salaries and wages:				
Straight time	1,950,931	44.2	1,786,940	44.0
Overtime	109,240	2.5	83,630	2.1
Leave expense	154,494	3.5	147,564	3.6
Employee meals	109,902	2.5	97,283	2.4
Employee benefits	233,216	5.3	207,383	5.1
Employee physicals	6,033	0.1	10,475	0.3
Supplemental services	175,161	4.0	135,935	3.3
Miscellaneous	21,683	0.5	14,146	0.3
China, glassware, and silverware	67,179	1.5	52,571	1.3
Kitchen utensils	<u>7,179</u>	<u>0.2</u>	<u>6,527</u>	<u>0.2</u>
Total	<u>2,835,018</u>	<u>64.3</u>	<u>2,542,454</u>	<u>62.6</u>
LOSS ON FOOD AND BEVERAGE OPERATIONS	<u>164,074</u>	<u>3.7</u>	<u>197,580</u>	<u>4.9</u>
CIGARSTAND MERCHANDISE:				
Sales	712,781	100.0	694,082	100.0
Cost of sales	<u>502,996</u>	<u>70.6</u>	<u>485,868</u>	<u>70.0</u>
GROSS PROFIT	209,785	29.4	208,214	30.0
Operating expenses	<u>88,589</u>	<u>12.4</u>	<u>91,453</u>	<u>13.3</u>
PROFIT ON CIGARSTAND OPERATIONS	<u>121,196</u>	<u>17.0</u>	<u>116,761</u>	<u>16.7</u>
NEWSPAPERS (note 4):				
Sales	30,441	100.0	29,068	100.0
Cost of sales	<u>27,079</u>	<u>89.0</u>	<u>26,122</u>	<u>89.7</u>
PROFIT FROM NEWSPAPER SALES	<u>3,362</u>	<u>11.0</u>	<u>2,946</u>	<u>10.3</u>
VENDING MACHINE COMMISSIONS	<u>32,979</u>		<u>32,277</u>	
NET LOSS (note 5)	\$ <u>6,537</u>		\$ <u>45,596</u>	

The accompanying notes are an integral part of this statement.

UNITED STATES SENATE RESTAURANTS REVOLVING FUNDCOMPARATIVE STATEMENT OF CHANGES IN FINANCIAL POSITIONFISCAL YEARS ENDED SEPTEMBER 25, 1982, AND SEPTEMBER 26, 1981

	<u>September 25, 1982</u>	<u>September 26, 1981</u>
FUNDS PROVIDED:		
Sales and commissions	\$5,186,858	\$4,815,824
Decrease in working capital	<u>6,537</u>	<u>45,596</u>
Total	<u>\$5,193,395</u>	<u>\$4,861,420</u>
FUNDS APPLIED:		
Cost of merchandise sold	\$2,269,787	\$2,227,514
Salaries, wages, and benefits	2,826,549	2,560,059
Other operating expenses	97,059	73,847
Increase in working capital	<u>-</u>	<u>-</u>
Total	<u>\$5,193,395</u>	<u>\$4,861,420</u>

ANALYSIS OF CHANGES IN WORKING CAPITALFISCAL YEARS ENDED SEPTEMBER 25, 1982, AND SEPTEMBER 26, 1981

	<u>Increase or (decrease) in working capital</u>	
	<u>September 25, 1982</u>	<u>September 26, 1981</u>
WORKING CAPITAL CHANGES:		
Cash	\$(59,809)	\$(6,932)
Accounts receivable	19,459	28,481
Inventory of food, tobacco, and beverages	9,657	19,711
Inventory of china, glassware, silverware, and tableware	14,675	(3,350)
Amounts due vendors	29,573	(52,313)
Net payroll and benefits	(1,995)	(11,816)
Federal and State taxes withheld	(1,396)	(5,292)
Employees' accrued leave	(21,771)	(20,649)
Employees' physicals	635	9,329
Supplemental service	4,811	(3,864)
Unclaimed wages	-	29
Charity contributions withheld	(376)	-
Deferred income	<u>-</u>	<u>1,070</u>
NET INCREASE OR (DECREASE) IN WORKING CAPITAL	<u>\$ (6,537)</u>	<u>\$(45,596)</u>

The accompanying notes are an integral part of this statement.

UNITED STATES SENATE RESTAURANTSREVOLVING FUNDNOTES TO FINANCIAL STATEMENTSFISCAL YEARS ENDED SEPTEMBER 25, 1982 AND SEPTEMBER 26, 1981

1. Significant Accounting Policies

Cash receipts from sales revenues are deposited in the U.S. Treasury to the credit of the Senate Restaurants Revolving Fund for use in operating the various restaurant facilities.

The statements do not include the cost of equipment, management personnel salaries, and miscellaneous expenses such as paper, cleaning, and laundry, which are paid from funds appropriated to the Architect of the Capitol. The statements also do not include certain benefits and services such as space, building repairs and maintenance, utilities, garbage disposal, and menus and forms printed by the Government Printing Office and furnished to the restaurants without charge. Certain additional costs, as provided for under Public Law 92-51, were paid from the Legislative Branch appropriations for the Senate Office Buildings as follows:

<u>Fiscal year</u>	<u>Personnel compensation</u>	<u>Personnel benefits</u>	<u>Other services</u>	<u>Supplies and materials</u>	<u>Total</u>
1982	\$512,136	\$50,537	\$122,151	\$227,722	\$912,546
1981	528,773	48,885	106,913	235,999	920,570
1980	493,749	44,961	110,999	211,186	860,895
1979	452,627	42,296	98,229	167,778	760,930

2. Accounts receivable are billed at the end of each month. Balances at September 30, 1982, amounted to \$167,890, about 3.4 percent greater than the September 30, 1981, balances. Of this amount, \$39,144, or 23.3 percent, was outstanding over 60 days, compared with \$49,014, or 30.2 percent, at September 30, 1981. A comparison of customers' accounts receivable at September 30, 1982, and September 30, 1981, follows.

<u>Days outstanding</u>	<u>September 30, 1982</u>		<u>September 30, 1981</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
0 to 30	\$108,690	64.7	\$106,983	66.0
31 to 60	20,056	12.0	6,194	3.8
61 to 90	6,352	3.8	18,100	11.1
Over 90	<u>32,792</u>	<u>19.5</u>	<u>30,915</u>	<u>19.1</u>
Total	<u>\$167,890</u>	<u>100.0</u>	<u>\$162,192</u>	<u>100.0</u>

At December 31, 1982, 87.2 percent of the September 30, 1982, accounts receivable balance had been collected.

The restaurants accounting office prepares a monthly list of outstanding accounts and submits the list to the Architect of the Capitol. In accordance with the policy direction established by the Senate Committee on Rules and Administration, collection letters are mailed to selected customers whose accounts are delinquent over 90 days.

3. Initial capitalization of china, glassware, and silverware at July 1, 1967, was \$36,361 and capitalization of tableware at October 2, 1976, was \$9,583.

4. Total sales and cost of sales based on data reported for primary sales locations.

5. Sales, commissions, and operating results for the various restaurant activities during fiscal 1982 and 1981 are summarized below.

	1982		1981	
	<u>Sales and commissions</u>	<u>Operating profit or (loss)</u>	<u>Sales and commissions</u>	<u>Operating profit or (loss)</u>
Food and beverages:				
Capitol dining rooms (note a)	\$1,069,977	\$(338,836)	\$ 902,870	\$(346,986)
Senators' dining room	76,280	(36,046)	74,062	(30,700)
Cafeterias (note a)	2,151,948	29,398	2,034,844	(19,596)
Coffee shop	452,299	91,449	429,651	91,021
Snack bar	202,415	20,864	160,050	13,971
Carryout	<u>457,738</u>	<u>69,097</u>	<u>458,920</u>	<u>94,710</u>
Total	<u>\$4,410,657</u>	<u>\$(164,074)</u>	<u>\$4,060,397</u>	<u>\$(197,580)</u>
Tobacco, candy, and newspapers:				
Capitol dining rooms	84,377	10,837	83,770	7,128
Dirksen Office Building	416,065	68,286	276,531	52,247
Russell Office Building	<u>242,780</u>	<u>45,435</u>	<u>362,849</u>	<u>60,332</u>
Total	<u>\$ 743,222</u>	<u>\$124,558</u>	<u>\$ 723,150</u>	<u>\$ 119,707</u>
Vending machine commissions	<u>32,979</u>	<u>32,979</u>	<u>32,277</u>	<u>32,277</u>
Total	<u>\$5,186,858</u>	<u>\$(6,537)</u>	<u>\$4,815,824</u>	<u>\$(45,596)</u>

a/Prior to fiscal 1981, sales and related miscellaneous and supplemental service costs were not included in the financial statements.